SEYCHELLES COMMERCIAL BANK LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017

SEYCHELLES COMMERCIAL BANK LIMITED

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The Directors are pleased to submit their report together with the audited financial statements of Seychelles Commercial Bank Limited (hereafter called the "Bank") for the year ended December 31, 2017.

PRINCIPAL ACTIVITY

The principal activity of the Bank remained unchanged during the year under review and consists of the provision of banking services in Seychelles.

RESULTS

	SR
Profit before tax	19,138,882
Tax expense	(5,804,503)
Profit for the year	**13,334,379**
Transfer to statutory reserve	(2,666,876)
Dividends	(6,000,000)
Retained earnings brought forward	31,161,579
Retained earnings carried forward	**35,829,082**

DIVIDENDS

The Board has proposed a dividend of SR 10 per share amounting to SR 6m for the year ended December 31, 2017 (2016: SR 6m).

PROPERTY AND EQUIPMENT

Additions to property and equipment totalled SR 2.6m for the year under review (2016: SR 5.9m) and comprised mainly buildings, furniture and fittings and computer equipment.

Land and buildings are carried at revalued amounts and all other equipment is stated at historical cost less accumulated depreciation. The Directors are of the opinion that the carrying amounts of the assets approximate their fair value and do not require any adjustments for impairment.

DIRECTORS AND DIRECTORS' INTEREST

The Directors of the Bank since the date of the last report and the date of this report are:

	Number of ordinary shares
Patrick Payet (Chairman)	-
Annie Vidot (Managing Director) (Appointed on February 1, 2017)	-
Robert Morgan	5,875
Esther Boniface	-
Sandy Mothee	-
Jenna Thelermont	750
Syed Naqi (Managing Director) (until January 31, 2017)	360

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the overall management of the affairs of the Bank including its operations and the making of investment decisions.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Companies Act, 1972, the Financial Institutions Act, 2004, as amended and the Regulations and Directives of the Central Bank of Seychelles. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies that fall within the accounting policies adopted by the Bank as a whole; and making accounting estimates that are reasonable in the circumstances. The Directors have the general responsibility of safeguarding the assets, both owned by the Bank and those that are held in trust and used by the Bank.

The Directors consider they have met their aforesaid responsibilities.

GOING CONCERN

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern.

AUDITORS

The Auditors, Messrs. ACM & Associates, have indicated their willingness to continue in office and have offered themselves for re-appointment at the next AGM.

BOARD APPROVAL

Patrick Payet Chairman	**Annie Vidot** Managing Director	**Robert Morgan** Director
Esther Boniface Director	**Sandy Mothee** Director	**Jenna Thelermont** Director

Date: 27 APR 2018

Victoria, Seychelles

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

SEYCHELLES COMMERCIAL BANK LIMITED

Report on the Financial Statements

We have audited the financial statements of Seychelles Commercial Bank ('Bank') on pages 3 to 37 which comprise the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Financial Institutions Act, 2004, as amended (Application of the Act) and the regulations and directives of the Central Bank of Seychelles, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on those financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (CONT'D)

SEYCHELLES COMMERCIAL BANK LIMITED

Opinion

In our opinion, the financial statements on pages 3 to 37 give a true and fair view of the financial position of the Bank as at December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 1972 and comply with the requirements of the Financial Institutions Act 2004, as amended (Application of the Act) and the regulations and directives of the Central Bank of Seychelles.

Other matter

This report has been prepared solely for the Bank's members, as a body. Our audit work has been undertaken so that we might state to the Banks's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Financial Institutions Act, 2004, As amended

The Financial Institutions Act 2004, as amended requires that in carrying out our audit, we consider and report to you the following matters. We confirm that:

- In our opinion, the financial statements have been prepared on a basis consistent with that of the preceding year and are complete, fair and properly drawn up and comply with the Financial Institutions Act 2004, as amended.
- We have obtained all the information and explanations we have required.
- To the best of our knowledge and belief, no violations of the Financial Institutions Act 2004, as amended have occurred during the year ended 31 December 2017 that might have had a material adverse effect on the business of the Bank or on its financial position.
- We have no relationship with or interests in the Bank other than in our capacity as auditors and dealings in the ordinary course of business.
- In our opinion, proper accounting records have been kept by the Bank as far as it appears from our examination of those records.

Acm; Associates

ACM & ASSCOCIATES

Date: 27 APR 2018
Victoria, Seychelles

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SEYCHELLES COMMERCIAL BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

	Notes	2017	2016
		SR	SR
ASSETS			
Cash and cash equivalents	5	**409,589,865**	275,124,334
Loans and advances	6	**633,800,416**	599,295,328
Held-to-maturity financial assets	7	**335,105,775**	250,592,182
Property and equipment	8	**46,131,545**	46,451,767
Intangible assets	9	**7,894,148**	9,296,667
Other assets	10	**20,068,260**	13,537,778
Total assets		**1,452,590,009**	1,194,298,056
LIABILITIES AND EQUITY			
LIABILITIES			
Customer deposits	11	**1,277,440,759**	1,029,612,215
Other liabilities	12	**12,970,416**	8,766,134
Dividends payable	13	**6,000,000**	6,000,000
Current tax liabilities	14(i)	**1,386,438**	2,945,143
Deferred tax liabilities	15	**215,262**	1,532,835
Retirement benefit obligations	16	**6,995,850**	5,837,316
Total liabilities		**1,305,008,725**	1,054,693,642
EQUITY			
Share capital	17	**60,000,000**	60,000,000
Statutory reserve	18	**24,921,105**	22,254,229
Revaluation reserve		**26,831,097**	26,188,606
Retained earnings		**35,829,082**	31,161,579
TOTAL EQUITY		**147,581,284**	139,604,414
Total liabilities and equity		**1,452,590,009**	1,194,298,056

These financial statements have been approved for issue by the Board of Directors on:

Patrick Payet
Chairman

Annie Vidot
Managing Director

Robert Morgan
Director

Esther Boniface
Director

Sandy Mothee
Director

Jenna Thelermont
Director

The notes on pages 7 to 37 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

STATEMENT OF COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2017

	Notes	2017	2016
		SR	SR
Interest income	19	87,210,157	84,880,588
Interest expense	20	(32,216,707)	(27,106,827)
Net interest income		54,993,450	57,773,761
Fees and commissions income	21	15,179,611	14,645,503
Foreign Exchange Gain		5,733,481	3,514,948
Other operating income	22	799,585	2,067,258
		6,533,066	5,582,206
Total operating income		76,706,127	78,001,470
Net allowance for credit impairment	25	(203,608)	(841,702)
Net operating income		76,502,519	77,159,768
Personnel expense	23	(28,697,356)	(29,031,241)
Depreciation of property and equipment	8	(2,870,348)	(2,894,699)
Amortisation of intangible assets	9	(1,402,519)	(1,403,054)
Other operating expenses	24	(24,393,414)	(21,353,219)
Total operating expenses		(57,363,637)	(54,682,213)
Profit before taxation expense		19,138,882	22,477,556
Tax expense	14(ii)	(5,804,503)	(1,820,597)
Profit for the year		13,334,379	20,656,959

The notes on pages 7 to 37 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

SEYCHELLES COMMERCIAL BANK LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME - YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		SR	SR
Profit for the year		13,334,379	20,656,959
Other comprehensive income:			
Items that will not be classified to profit or loss:			
Deferred tax effect on revaluation of buildings		642,491	-
Total comprehensive income for the year		13,976,870	20,656,959

The notes on pages 7 to 37 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

SEYCHELLES COMMERCIAL BANK LIMITED

STATEMENT OF CHANGES IN EQUITY - YEAR ENDED DECEMBER 31, 2017

	Note	Share capital	Statutory reserve	Revaluation reserve	Retained earnings	Total
		SR	SR	SR	SR	SR
Balance at January 1, 2017		60,000,000	22,254,229	26,188,606	31,161,579	139,604,414
Total comprehensive income for the year		-	-	642,491	13,334,379	13,976,870
Transfer to statutory reserve	18	-	2,666,876	-	(2,666,876)	-
Dividends		-	-	-	(6,000,000)	(6,000,000)
Balance at December 31, 2017		60,000,000	24,921,105	26,831,097	35,829,082	147,581,284
Balance at January 1, 2016		60,000,000	18,122,837	26,188,606	20,636,012	124,947,455
Total comprehensive income for the year		-	-	-	20,656,959	20,656,959
Transfer to statutory reserve	18	-	4,131,392	-	(4,131,392)	-
Dividends		-	-	-	(6,000,000)	(6,000,000)
Balance at December 31, 2016		60,000,000	22,254,229	26,188,606	31,161,579	139,604,414

The notes on pages 7 to 37 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

SEYCHELLES COMMERCIAL BANK LIMITED

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2017

	Notes	2017 SR	2016 SR
Cash generated from operations			
Profit before taxation expense		**19,138,882**	22,477,556
Adjustments for:			
Depreciation of property and equipment	8	**2,870,348**	2,894,699
Profit from disposal of property and equipment		**-**	(240,569)
Amortisation of intangible assets	9	**1,402,519**	1,403,054
Net interest accrued and released	6	**(178,061)**	(733,660)
Provision for credit impairment	6(a)/25(a)	**35,639**	847,042
Accrued interest on held-to-maturity financial assets		**(5,159,917)**	(5,885,345)
Increase in retirement benefit obligations	16	**2,285,631**	3,186,967
		20,395,041	23,949,744
Changes in working capital:			
Increase in loans and advances	6	**(34,362,666)**	(135,070,605)
Increase / (decrease) in other assets		**(6,530,482)**	7,077,966
Increase in customer deposits		**247,828,545**	197,916,936
Increase / (decrease) in other liabilities		**4,204,282**	(846,761)
Net cash generated from operations		**231,534,720**	93,027,280
Net tax paid	14(i)	**(8,038,290)**	(3,308,366)
Tax refund		**-**	393,391
Retirement benefit obligation paid		**(1,127,096)**	(1,730,072)
Net cash generated from operating activities		**222,369,333**	88,382,234
Cash flows from investing activities			
Additions to property and equipment	8	**(2,550,126)**	(5,921,509)
Proceeds from disposal of property and equipment		**-**	287,336
Addition to investment in financial assets	7	**(87,239,021)**	(303,418,426)
Redemption of investment in financial assets	7	**7,885,345**	273,721,604
Net used in investing activities		**(81,903,802)**	(35,330,994)
Cash flows from financing activity			
Dividends paid and net cash used in financing activity	13	**(6,000,000)**	(4,800,000)
Net increase in cash and cash equivalents		**134,465,531**	48,251,240
Movement in cash and cash equivalents			
At January 1,		**275,124,334**	226,873,094
Net Increase in cash and cash equivalents		**134,465,531**	48,251,240
At December 31,	5	**409,589,865**	275,124,334

The notes on pages 7 to 37 form an integral part of these financial statements.
Auditors' report on pages 2 and 2(a).

1. GENERAL INFORMATION

Seychelles Commercial Bank Limited is a limited liability Company incorporated and domiciled in Seychelles. The registered address of the Bank is at Orion Mall, Mahé, Seychelles. The Bank changed its name from Seychelles Savings Bank Limited to Seychelles Commercial Bank Limited on October 25, 2013.

These financial statements will be submitted for consideration and approval at the forthcoming Annual General Meeting of Shareholders of the Bank.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Statement of compliance

The financial statements of Seychelles Commercial Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRS), the Companies Act 1972, the Financial Institutions Act, 2004, Regulations and Directives of the Central Bank of Seychelles.

(b) Basis of preparation

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

Accounting Standards and Interpretations Issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Bank has not early adopted them:

New or revised standards	**Effective for accounting period beginning on or after**
IFRS 9 Financial Instruments	01 January 2018
IAS 7 Disclosure amendments	01 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017
IFRS 15 Revenue from Contracts with Customers	01 January 2018
IFRS 16 Leases	01 January 2019
IAS 40 Transfer of investment property	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Considerations	01 January 2018
IFRS 17 Insurance Contracts	01 January 2021

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Basis of preparation (Cont'd)

New or revised standards

The effects of these standards have been described below:

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – Effective 1 January 2018

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For Hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL).

Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivatives separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based in an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contracts assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognise within 12-months' or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

IFRS 9 Financial Instruments – Classification and measurement of financial assets, Accounting for financial liabilities and derecognition – Effective 1 January 2018 (Cont.)

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting.

The Bank plans to adopt the new standard on the required effective date; however, during 2017 the bank is still in the implementation stage. Therefore, the bank does not currently have available information to perform a detailed analysis in order to quantify the impact on equity as at 31 December 2017. Overall, the bank expects no significant impact on its statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9. Adoption of the standard is expected to have a financial impact and impairment charges will tend to be more volatile.

IAS 7 Disclosure amendments – Effective 1 January 2017

The Standard provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities. The amendments apply for annual periods beginning on or after January 01, 2017 and early application is permitted. The Bank is currently assessing the impact of IAS 7 and plan to adopt the amendments on the required effective date.

IFRS 15 Revenue from Contracts with Customers – Effective 1 January 2017

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 01, 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases – Effective 1 January 2018

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

IFRS 16 Leases – Effective 1 January 2018 (Cont'd)

The standard is effective for annual periods beginning on or after January 01, 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

The most significant impact expected is that The Group/Company may have to recognise new assets and liabilities for their operating leases. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Bank is yet to assess the full impact of adopting the standard and will provide more information in the Bank's financial statements for the year ended December 31, 2018.

IAS 40 Transfer of Investment property – Effective 1 January 2019

The IASB has amended the requirements in IAS 40 Investment property on when a company should transfer a property asset to, or from, investment property. The amendments state that a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of the change in use. The amendments apply for annual periods beginning on or after January 01, 2018. Early adoption is permitted and must be disclosed. The Bank is currently assessing the impact of the changes and plan to adopt the amendments on the required effective date.

IFRIC 22 Foreign Currency Transactions and Advance Considerations – Effective 1 January 2018

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognised the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies for annual reporting periods beginning on or after January 01, 2018. The Bank is currently assessing the impact of the changes and plans to adopt the amendments on the required date.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Effective 1 January 2018

The Standard provide additional guidance on the existence of deductible temporary differences, which depend solely on a composition of the carrying amount of an asset and its tax base at the end of the reporting period and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The Standard also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. The amendments apply for annual periods beginning on or after January 01, 2017 and early application is permitted. The Bank is currently assessing the impact of IAS 12 and plan to adopt the amendments on the required effective date

IFRS 17 Insurance Contracts – Effective 1 January 2021

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. In September 2017, the board established a Transition Resource Group (TRG) for IFRS 17 that will be tasked with analysing implementation-related questions on IFRS 17.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

IFRS 17 Insurance Contracts – Effective 1 January 2021 (Cont'd)

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)

• A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are, as follows:

• The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)

• A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)

• Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period

• The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice

• The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period

• Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet

• Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense

• Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following *two alternatives*:

• Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application

• Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (Cont'd)

IFRS 17 Insurance Contracts – Effective 1 January 2021 (Cont'd)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

IFRS 17, together with IFRS 9, will result in a profound change to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected. The Bank is currently assessing the impact of IFRS 17 and plan to adopt the amendments on the required effective date.

(b) Financial assets

Categories of financial assets

The Bank classifies its financial assets in the following categories: loans and advances and held-to-maturity investments. Management determines the classification of its financial assets at initial recognition and this classification depends on the purpose of the investment.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, balances held with the Central Bank of Seychelles and amounts due from other local and foreign banks. A further breakdown of cash and cash equivalents is given in note 5 to the financial statements.

(ii) *Loans and provision for credit impairment*

Loans and advances originated from the Bank by providing money directly to the borrower are categorised as loans and are carried at amortised cost, which is defined as the fair value of cash consideration given to originate these loans as is determinable by reference to market prices at origination date. Third party expenses such as legal fees incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers. A provision for credit impairment is established when there is objective evidence that the Bank will not be able to collect all amounts due according to the contractual terms of the loans. The amount of the provision is the difference between the carrying amount recoverable from guarantees and collaterals, discounted at the original effective interest rate of the loans.

The Bank also follows the regulations on Credit Classification and Provisioning Regulations 2010, as amended in 2011 issued by the Central Bank of Seychelles.

(iii) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Derecognition

The Bank derecognises a financial asset where the contractual rights to cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) *Held-to-maturity financial assets(Cont'd)*

Impairment of financial assets

For loans and advances, the amount of the impairment of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and, the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement on the borrower's credit rating), the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(c) **Deposits**

Deposits are initially recognised on the day they are originated. Other financial liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(d) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a legal enforceable right to set off the recognised amounts and the Bank intends either to settle on a net basis, or to realise the asset and liability simultaneously.

(e) **Property and equipment**

Land and buildings are carried at revalued amounts and all other equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The next revaluation is expected to be in 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property and equipment (Cont'd)

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Increases in the carrying amount arising on revaluation are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful lives as follows:

	Years
Buildings	35 - 40
Furniture and equipment	10
Vehicles	5
Computer equipment	5 - 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of equipment are determined by comparing the proceeds with their carrying amount and are included in the statement of profit or loss.

(f) Intangible assets - Computer Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software and are amortised using the straight line method over the estimated useful life of 10 years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Retirement benefit obligations

(i) Defined benefit plans

The Bank provides for a payment of gratuity to permanent employees. Gratuities are paid every five years (except in the case of early retirement) as from January 2007, for continuous service. The amount provisioned every year is based on the number of years the employee has worked after the last payment date. This type of employee benefits has the characteristics of a defined benefit plan. The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined obligation at the reporting date less fair value of plan assets together with adjustments for unrecognised actuarial gains and losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

The Bank did not carry out any actuarial valuation since the Directors have based themselves on the method as prescribed by the Seychelles Employment Act and they have estimated that the amount of liability provided will not be materially different had it been computed by an external Actuary.

(h) Taxation

Current tax

Tax in the statement of profit or loss relates to current year's tax which is the expected amount of tax payable in respect of taxable profit for the year and is measured using the tax rates that have been enacted at the end of the reporting period.

Deferred tax

Deferred tax is provided for using the liability method on all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation of equipment and provision for retirement benefit obligation. The rates enacted or subsequently enacted at the date of the reporting period are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised.

(i) Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are disclosed as liabilities with corresponding contra-assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign currencies

Functional and presentation currency
Items included in the financial statements are measured using Seychelles Rupee, the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Bank are presented in Seychelles Rupees, which is its functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(k) Interest income and expense

Interest income and expense are recognised in the statement of profit or loss for all interest bearing instruments on an accrual basis using the effective yield method based on actual purchase price except in the respect of loans on fixed interest rates where the interest income is recognised on receipt basis.

Interest income includes coupons earned on fixed income investment and accrued discount and premium on treasury bills and other discounted instruments. Interest income is suspended when loans are classified doubtful of collection, such as when overdue by more than six months, or, when the borrower or securities issuer defaults, if earlier than six months. Such income is excluded from interest income until received.

(l) Fees and commission income

Fees and commissions are recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiations of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

(m) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(n) Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks. It's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect of the Bank's financial performance.

A description of the significant risks is given below together with the risk management policies applicable.

(i) Strategy in using financial instruments

The Bank accepts deposits from customers at fixed rates at variable terms and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances but the Bank also enters into guarantees.

(ii) Capital adequacy

Capital adequacy ratio is closely monitored in line with the requirements of the Financial Regulations (Capital Adequacy) Regulations 2010 and those of the Central Bank of Seychelles. The ratio is given below:

	2017	2016
	SR'000	SR'000
Capital Base:		
Tier I Capital	116,083	102,890
Tier II Capital	17,329	22,315
Total Capital Base (a)	133,412	125,205
Risk Adjusted Assets (b)	629,180	556,104
Capital Adequacy (a/b * 100)	21%	23%
Minimum Requirement	12%	12%

The Bank has adhered to the capital requirements of Central Bank of Seychelles for the year under review.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Credit risk

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk are approved by the Board of Directors with discretionary limits set for the Bank's management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these limits where appropriate. Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position.

	Gross maximum exposure	
	2017	2016
	SR	SR
Cash and cash equivalents	**409,589,865**	275,124,334
Loans and advances to customers	**633,800,416**	599,295,328
Held-to-maturity financial assets	**335,105,775**	250,592,182
Other assets	**20,068,260**	13,537,778
Total credit risk exposure	**1,398,564,315**	1,138,549,622

Commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the bank. The table below shows the Bank's maximum credit risk exposure for commitments. The maximum exposure to credit risk relating to the loan commitment is the full amount of the commitment.

	2017	2016
	SR	SR
Loans and advances approved but not yet disbursed and/or partially disbursed	**83,949,976**	51,526,000

Collateral and other credit enhancements

Exposure to credit risk is also managed, in part, by obtaining and monitoring collateral in the form of interests over properties and vehicles. Corporate and personal guarantees are also accepted by the Bank. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

Credit quality per class of financial assets

The table below shows an ageing analysis of credit quality by class of asset for all financial assets exposed to credit risk. Credit risk for loans and advances is managed by the Recovery Officers within the Debt Recovery Department supported by the Debt Recovery Committee subject to SCB's established policy, procedures and control relating to credit risk management. Credit quality of a producer is assessed based on a credit rating scorecard, collateral values and ability of underlying projects to service the debt. Loans and advances in arrears are regularly monitored and evaluated for restructuring when warranted. The credit classification of loans and advances is in accordance with the Financial Institution (Credit Classification and Provisioning) Regulations 2010, amended in 2011. In accordance with IAS 39 the Bank performs on-going assessment throughout the reporting period as to whether there is any objective evidence that loans and advances are impaired.

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Credit risk (Cont'd)

	2017					
	Performing		Non-Performing			
	< 30 days	30-89 days	90-179 days	180 - 364 days	> 364 days	Total
	SR	SR	SR	SR	SR	SR
Loans and advances (gross)						
Not impaired	601,223,267	15,489,730	998,902	519,466	15,076,239	633,307,603
Impaired	-	5,430,835	1,273,348	818,014	3,078,948	10,601,146
	601,223,267	20,920,565	2,272,250	1,337,480	18,155,187	643,908,749
Total Non-Performing						21,764,917
Total Non-Performing Ratio						3%

	2016					
	Performing		Non - Performing			
	< 30 days	30-90 days	90-179 days	180-364 days	> 364 days	Total
	SR	SR	SR	SR	SR	SR
Loans and advances (gross)						
Not impaired	578,207,601	5,704,985	82,900	2,494,829	15,125,688	601,616,003
Impaired	-	3,119,042	414,001	436,164	3,794,818	7,764,025
	578,207,601	8,824,027	496,901	2,930,993	18,920,506	609,380,028
Total Non-Performing						22,348,400
Total Non-Performing Ratio						4%

Maximum exposure to credit risk

Type of collateral or credit enhancement

The Bank does not maintain a complete collateral register on the system and hence it is not possible to obtain the fair value of the collateral and credit enhancements held by the Bank as at 31st December 2016 and 2015. It is to note that the fair value of collaterals are maintained manually in the files of the customers, and the bank is in the process of collating this information and updating the system.

Age analysis of financial assets past due but not impaired (excluding loans and advances):

			Past due but not impaired		
	Total	**Neither past due nor impaired**	**< 90 days**	**90 - 365 days**	**> 365 days**
At December 31, 2017	**SR**	**SR**	**SR**	**SR**	**SR**
Cash and cash equivalents	409,589,865	409,589,865	-	-	-
Held-to-maturity financial assets	335,105,775	335,105,775	-	-	-
Other assets	20,068,260	20,068,260	-	-	-
	764,763,900	764,763,900	-	-	-

Age analysis of financial assets past due but not impaired (excluding loans and advances):

			Past due but not impaired		
	Total	Neither past due nor impaired	< 90 days	90 - 365 days	> 365 days
At December 31, 2016	SR	SR	SR	SR	SR
Cash and cash equivalents	275,124,334	275,124,334	-	-	-
Held-to-maturity financial assets	250,592,182	250,592,182	-	-	-
Other assets	13,537,778	13,537,778	-	-	-
	539,254,294	539,254,294	-	-	-

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) Currency risk

Currency risk is defined as the risk that movements in foreign exchange rates adversely affect the value of the Bank's foreign currency positions. The latter is exposed with respect to foreign currency arising from trading in foreign currency and acceptances. In order to ensure adequacy of its foreign exchange requirements, foreign currency cash flow forecasts are prepared regularly, expenses monitored and actions taken accordingly.

The Bank managed its foreign currency exposure during the year under review to remain within limits set by the Central Bank of Seychelles which requires that long and short position to capital is not more than 30% respectively.

At December 31, 2017, if the Seychelles Rupee had weakened/strengthened by 5% against foreign currencies (mainly US dollar and Euro) with all other variables held constant, profit for the year would have been SR 854,000 (2016: SR 2,480,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities balances.

Concentration of assets and liabilities by currency

	SR	Euro	US Dollars	Others	Total
At December 31, 2017	SR'000	SR'000	SR'000	SR'000	SR'000
Assets					
Cash and cash equivalents	310,576	7,554	85,674	5,786	409,590
Loans and advances	633,344	5,907	2,229	2,417	643,897
Held-to-maturity financial assets	335,106	-	-	-	335,106
Property and equipment	46,132	-	-	-	46,132
Intangible assets	7,894	-	-	-	7,894
Other assets	20,068	-	-	-	20,068
	1,353,119	13,461	87,903	8,203	1,462,687
Less allowances for credit impairment					(10,097)
					1,452,590
Liabilities					
Customer deposits	1,184,958	8,556	80,480	3,448	1,277,441
Other liabilities	12,970	-	-	-	12,970
Dividend proposed	6,000	-	-	-	6,000
Current tax liabilities	1,386	-	-	-	1,386
Deferred tax liabilities	215	-	-	-	215
Retirement benefit obligations	6,996	-	-	-	6,996
	1,212,526	8,556	80,480	3,448	1,305,009
Net on balance sheet position	140,594	4,906	7,423	4,756	157,678
Less allowances for credit impairment					(10,097)
					147,581
Off balance sheet position	-	-	-	-	-

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(iv) **Currency risk (Cont'd)**

At December 31, 2016	SR SR'000	Euro SR'000	US Dollars SR'000	Others SR'000	Total SR'000
Assets					
Cash and cash equivalents	198,722	10,589	45,257	20,556	275,124
Loans and advances	601,440	5,869	2,047	-	609,356
Held-to-maturity financial assets	250,592	-	-	-	250,592
Property and equipment	46,452	-	-	-	46,452
Intangible assets	9,297	-	-	-	9,297
Other assets	5,754	-	7,784	-	13,538
	1,112,257	16,458	55,088	20,556	1,204,359
Less allowances for credit impairment					(10,061)
					1,194,298
Liabilities					
Customer deposits	995,025	3,753	27,853	2,981	1,029,612
Other liabilities	8,766	-	-	-	8,766
Dividend proposed	6,000	-	-	-	6,000
Deferred tax liabilities	2,945	-	-	-	2,945
Deferred tax liabilities	1,533	-	-	-	1,533
Retirement benefit obligations	5,837	-	-	-	5,837
	1,020,106	3,753	27,853	2,981	1,054,694
Net on balance sheet position	92,151	12,705	27,235	17,575	149,665
Less allowances for credit impairment					(10,061)
					139,604
Off balance sheet position	-	-	-	-	-

(v) **Interest risk**

Interest rate risk refers to the potential variability in the Bank's financial condition owing to changes in the level of interest rates. It is the Bank's policy to apply variable interest rates to lending and deposit taking.

Sensitivity analysis

If interest rates had been 5 points higher/lower and all other variables were held constant as at year-end, the Bank's results would have been increased/decreased as follows:

	2017 SR'000	2016 SR'000
Impact on results	**+/- 28**	+/- 17

(vi) **Liquidity risk**

The Bank is exposed to daily calls on its available cash resources from deposits, current accounts, maturing deposits, loan drawdowns, guarantees and from margin and other calls. The Bank maintains cash resources to meet all of these needs based on experience. The Board of Directors sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing that should be in place to cover withdrawals at unexpected levels of demand.

On the other hand, the Bank also complies with The Central Bank of Seychelles' requirement for all commercial banks to maintain 20% of total liabilities in liquid assets under the Financial Institutions (Liquidity Risk Management) Regulations, 2009 as amended in 2012.

During the year 2017, the Bank has calculated its liquidity ratio as follows;	**2017** **SR'000**	**2016** **SR'000**
Liquids assets (a)	**494,406**	364,425
Banks total liabilities (b)	**1,301,076**	1,052,760
Liquidity Ratio (a/b)	**38%**	**35%**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(vi) Liquidity Risk (Cont'd)

Maturities period of assets and liabilities are follows:

At December 31, 2017	Up to 3 months SR'000	3-6 months SR'000	6-9 months SR'000	9-12 months SR'000	1-3 years SR'000	More than 3 years SR'000	Non-maturity items SR'000	Total SR'000
Assets								
Cash and cash equivalents	210,317	-	-	-	-	-	199,273	409,590
Loans and advances	51,111	-	6,531	7,179	186,971	392,104	-	643,897
Held-to-maturity financial assets	105,426	65,770	13,113	59,082	61,715	30,000	-	335,106
Property and equipment	-	-	-	-	-	-	46,132	46,132
Intangible assets	-	-	-	-	-	-	7,894	7,894
Other assets	-	-	-	-	-	-	20,068	20,068
	366,854	65,770	19,644	66,261	248,686	422,104	273,367	1,462,687
Less allowances for credit impairment								(10,097)
								1,452,590
Liabilities								
Customer deposits	178,640	45,787	31,758	20,480	99,094	38,157	863,165	1,277,081
Other liabilities	-	-	-	-	-	-	12,970	12,970
Dividend proposed	-	6,000	-	-	-	-	-	6,000
Retirement benefit obligations	-	-	-	-	-	-	6,996	6,996
	178,640	51,787	31,758	20,480	99,094	38,157	883,131	1,303,047
Maturity gap	188,214	13,983	(12,114)	45,781	149,592	383,947	(609,764)	159,639
Less allowances for credit impairment								(10,097)
								149,543

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(vi) **Liquidity risk (Cont'd)**

Maturities period of assets and liabilities are follows:

At December 31, 2016	Up to 3 months SR'000	3-6 months SR'000	6-9 months SR'000	9-12 months SR'000	1-3 years SR'000	More than 3 years SR'000	Non-maturity items SR'000	Total SR'000
Assets								
Cash and cash equivalents	141,206	-	-	-	-	-	133,919	275,124
Loans and advances	65,056	3,264	6,824	9,097	104,980	420,135	-	609,356
Held-to-maturity financial assets	82,700	68,054	68,443	9,425	21,970	-	-	250,592
Property and equipment	-	-	-	-	-	-	46,452	46,452
Intangible assets	-	-	-	-	-	-	9,297	9,297
Other assets	-	-	-	-	-	-	13,538	13,538
	288,962	71,318	75,267	18,522	126,950	420,135	203,205	1,204,359
Less allowances for credit impairment								(10,061)
								1,194,297
Liabilities								
Customer deposits	102,339	40,474	82,033	19,823	3,843	59,357	721,743	1,029,612
Other liabilities	-	-	-	-	-	-	8,766	8,766
Dividend proposed	-	6,000	-	-	-	-	-	6,000
Retirement benefit obligations	-	-	-	-	-	-	5,837	5,837
	102,339	46,474	82,033	19,823	3,843	59,357	736,346	1,050,215
Maturity gap	186,623	24,844	(6,766)	(1,301)	123,107	360,778	(533,142)	154,143
Less allowances for credit impairment								(10,061)
								144,082

3. FINANCIAL RISK MANAGEMENT (CONT'D)

(vii) **Fair values**

In respect of the on-balance sheet financial assets and liabilities of the Bank consisting of fixed assets, investments and current taxation except for loans and advances, the estimated fair values as at the date of the reporting period approximate their carrying amounts as shown in the statement of financial position.

Fair value measurement hierarchy for assets:

		Fair value measurement using		
As at 31st December 2017	**Total**	**Quoted prices in active market**	**Significant observable input**	**Significant unobservable input**
		(Level 1)	**(Level 2)**	**(Level 3)**
	SR'000	**SR'000**	**SR'000**	**SR'000**
Assets measured at fair value:				
Recurring measurement				
Land and building	**43,470**	-	**43,470**	-
As at 31st December 2016				
Land and building	**43,158**	-	**43,158**	-

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment of loans and advances*

The Bank reviews its loans and advances portfolio on a regular basis to assess whether any allowance for credit impairment losses for loans and advances should be recognised in the statement of comprehensive income. In particular, judgement is made about the amount and timing of future cash flows when determining the level of allowance required. The allowance for credit impairment losses is based on the best estimates available. However, the actual amount of impairment may differ from amount provided resulting in higher or lower charges to the statement of comprehensive income.

The Bank follows the guidelines of the Central Bank of Seychelles for provision for credit impairment in addition to the regulations of the Financial institutions (Credit Classification and Provisioning) Regulations 2010, as amended 2011, for provision for credit impairment. The Directors have estimated that these provisions do not materially differ from those required as per International Financial Reporting Standards (IFRS).

(b) *Impairment of other assets*

At each financial reporting year end, the Bank's management reviews and assesses the carrying amounts of other assets and where relevant, write them down to their recoverable amounts based on best estimates.

(c) *Held-to-maturity investments*

The Bank follows the guidance of International Accounting Standards (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical accounting estimates and assumptions (Cont'd)

(c) *Held-to-maturity investments (Cont'd)*

If the Bank fails to keep these investments to maturity other than for specific circumstances explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value and not at amortised cost.

(d) *Property and equipment*

Useful lives and residual values

Determining the carrying amounts of property and equipment requires the estimation of the useful lives and residual values of these assets which carry a degree of uncertainty. The Directors have used historical information relating to the Bank and the relevant industry in which it operates in order to best determine the useful lives and residual values of property and equipment.

(e) *Revaluation*

The Bank measures land and buildings at revalued amounts with increases in the carrying amount arising on revaluation are credited to revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the statement of profit or loss. The Bank engaged independent valuation specialists to determine fair value of its properties as at December 31, 2015. The Directors are of the opinion that the carrying amount of the property and equipment approximate its fair value at December 31, 2016. The next revaluation is expected in 2019.

(f) *Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from for example, a stock exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as trading securities or available-for-sale classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(g) *Limitation of sensitivity analysis*

The sensitivity analysis demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Other limitations include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's views of possible near-term market changes that cannot be predicted with any certainty.

5. CASH AND CASH EQUIVALENTS

	2017	2016
	SR	SR
Cash in hand	30,793,734	25,669,519
Foreign currency notes and coins	5,190,044	2,272,261
Balances with Central Bank of Seychelles	291,620,014	196,079,040
Balances with banks abroad	75,549,677	39,444,201
Balances with local banks		
- Seychelles rupees	1,446,652	1,434,813
- Foreign currencies	4,989,743	10,224,500
	409,589,865	275,124,334

6. LOANS AND ADVANCES

	2017	2016
	SR	SR
Gross loans and advances (see note (a) below)	640,915,474	606,552,808
Accrued interest	2,981,630	2,803,569
Less: Net allowance for credit impairment (see note (b) below)	(10,096,688)	(10,061,049)
	633,800,416	599,295,328

(a) SCB offers variable interest rate loans. The interest rate for corporate and retails loans range between 5% and 15%, and for Staff loans range between 4% and 10%.

(b) Movement in net allowance for credit impairment is given below:

	2017	2016
	SR	SR
At January 1,	**10,061,049**	9,214,007
Loans and advances written off during the year	**(167,969)**	5,340
Charged to statement of profit or loss	**203,608**	841,702
At December 31,	**10,096,688**	10,061,049
Summarised as:		
- General provisions	**(6,018,854)**	(5,788,697)
- Specific provisions	**(4,077,834)**	(4,272,352)
	(10,096,688)	(10,061,049)

(c) A general provision of 1% is applied to loans in arrears less than 30 days and specific provisions is applied to loans in arrears greater than 30 days in accordance with Financial Institution (Credit Classification and Provisioning Regulations 2010, amended in 2011).

(d) Credit concentration of risk by industry sectors:

	2017		2016	
	SR	%	SR	%
Corporate:				
Housing Finance Company	132,142,672	20.52%	144,228,528	23.67%
Business and trade	43,534,126	6.76%	20,923,788	3.43%
Tourism	31,755,774	4.93%	33,927,126	5.57%
Small Business Finance Agency	26,130,701	4.06%	32,264,421	5.29%
Building and construction	23,674,028	3.68%	47,190,369	7.74%
Transport	17,284,271	2.68%	9,589,307	1.57%
Manufacturing	13,578,968	2.11%	15,701,104	2.58%
Real estate	11,767,776	1.83%	4,675,412	0.77%
Others	7,634,802	1.19%	2,882,443	0.47%
Agriculture and horticulture	3,934,454	0.61%	4,756,694	0.78%
	311,437,572	48.37%	316,139,192	51.88%
Retail:				
Home repair and appliances	121,422,955	18.86%	107,071,830	17.57%
Mortgage	83,196,192	12.92%	66,138,291	10.85%
Vehicle	39,911,828	6.20%	35,709,118	5.86%
Others	500,151	0.08%	-	0.00%
Personal	213,914	0.03%	396,173	0.07%
	245,245,040	38.09%	209,315,413	34.35%
Overdrafts:	43,760,478	6.80%	42,048,364	6.90%
Others:	18,702,778	2.90%	20,509,942	3.37%
Staff:				
Mortgage	12,445,233	1.93%	11,222,935	1.84%
Home repair and appliances	9,283,480	1.44%	7,292,964	1.20%
Personal	40,892	0.01%	23,999	0.00%
	21,769,605	3.38%	18,539,897	3.04%
Total Gross loans and advances	640,915,474	99.54%	606,552,808	99.54%
Accrued interest	2,981,630	0.46%	2,803,569	0.46%
Total Gross loans and advances and accrued interest	643,897,104	100.00%	609,356,377	100.00%
Less: Provision for credit impairment	(10,096,688)	-1.57%	(10,061,049)	-1.65%
	633,800,416	98.43%	**599,295,328**	98.35%

7. HELD-TO-MATURITY FINANCIAL ASSETS

(a) The movement in held-to-maturity financial assets is as summarised below:

	2017	2016
	SR	SR
At January 1,	**250,592,182**	215,010,016
Additions	**87,239,021**	303,418,426
Matured	**(7,885,345)**	(273,721,604)
Accrued interest	**5,159,917**	5,885,345
At December 31,	**335,105,775**	250,592,182
Analysed as:		
Non-current	**91,715,000**	22,909,325
Current	**243,390,775**	227,682,857
	335,105,775	**250,592,182**

(b) Held-to-maturity financial assets include the following:

	Maturity Date	2017 Interest Rate	**2017**	2016
		%	**SR**	SR
Treasury bills	Jan - Dec 2018	2.95% - 8.05%	**242,736,183**	206,554,202
Treasury bonds	Mar '19 - Nov '24	5.50% - 7.00%	**52,093,389**	41,956,723
Government stock	N/a	N/a	**2,869**	2,081,258
Development Bank Seychelles Bonds	Aug '20	6.00%	**40,273,333**	-
			335,105,775	**250,592,182**

(c) Maturity and currency profiles of held-to maturity financial assets are detailed under notes 3(iii), (iv) & (vi).

(d) The fair value of held-to-maturity financial assets approximate their amortised cost and they are denominated in Seychelles Rupees.

8. PROPERTY AND EQUIPMENT

	Leasehold land and buildings	**Furniture and equipment**	**Motor vehicles**	**Computer equipment**	**Total**
Cost and valuation	SR	SR	SR	SR	SR
At January 1, 2016	39,375,344	7,302,375	1,832,744	13,417,307	61,927,770
Additions	3,782,579	590,439	794,150	754,341	5,921,509
Disposals	-	(21,365)	(837,100)	(50,772)	(909,237)
At December 31, 2016	43,157,923	7,871,449	1,789,794	14,120,876	66,940,041
Additions	**311,831**	**747,011**	**-**	**1,491,284**	**2,550,126**
Disposals	**-**	**(1,450)**	**-**	**-**	**(1,450)**
At December 31, 2017	**43,469,754**	**8,617,010**	**1,789,794**	**15,612,160**	**69,488,717**
Accumulated depreciation					
At January 1, 2016	991,457	5,473,873	1,048,334	10,942,381	18,456,045
Charge for the year	1,146,374	323,977	341,124	1,083,224	2,894,699
Disposals	-	(3,369)	(837,100)	(22,001)	(862,470)
At December 31, 2016	2,137,831	5,794,481	552,358	12,003,604	20,488,274
Charge for the year	**1,155,242**	**385,607**	**376,903**	**952,596**	**2,870,348**
Disposals	**-**	**(1,450)**	**-**	**-**	**(1,450)**
At December 31, 2017	**3,293,073**	**6,178,638**	**929,261**	**12,956,200**	**23,357,172**
NET BOOK VALUE					
At December 31, 2017	**40,176,681**	**2,438,372**	**860,533**	**2,655,960**	**46,131,545**
At December 31, 2016	41,020,092	2,076,969	1,237,436	2,117,272	46,451,767

8. PROPERTY AND EQUIPMENT (CONT'D)

(a) The Bank's land and buildings were last revalued at December 31, 2015 by Nigel Antoine Roucou & Co, Quantity Surveyor and Property Consultant, an independent professionally qualified valuer, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The present market value was determined on an open-market basis by reference to market evidence of transaction prices for similar properties. There has been no change to the valuation technique during the year. The next revaluation is expected to be in 2019.

In determining the fair value of the property the quantity surveyor considered the current market price, not only for the properties being valued, but also for comparable properties in the same vicinity. Factors included the geographical features of the terrain and also essential services available in the vicinity. Finally, the market value was also determined in accordance with the demand and supply.

(b) The Directors are of the opinion that the carrying amounts of property and equipment approximate their fair value at December 31, 2017.

(c) Significant unobservable valuation input

	Range - SR
Price per square metre	10,528 - 29,101

Significant increase/(decrease) in estimated price per square metre in isolation would result in significantly higher/(lower) fair value.

(d) The valuation of land and buildings of the Bank were carried out by external values and falls within category level 2 of the fair value hierarchy. No change was noted during the current year.

(e) Fair value measurement disclosures for revalued land and buildings are provided in Note 3 (vii)
(f) The Bank does not have any of its assets pledged as securities.
(g) Cash outflow for the purchase of equipment assets was SR 2,550,126 (2016 : SR 5,921,509)
(h) The total cost relating to fully depreciated assets still in use amounts to SR 21,371,152 as at December 31, 2017.

9. INTANGIBLE ASSETS

	Computer software	
	2017	2016
Cost	**SR**	SR
At January 1,	**21,205,825**	21,205,825
Additions	**-**	-
At December 31,	**21,205,825**	21,205,825
Amortisation		
At January 1,	**11,909,158**	10,506,104
Charge for the year	1,402,519	1,403,054
At December 31,	**13,311,677**	11,909,158
Net book value		
At December 31,	**7,894,148**	9,296,667

The intangible assets comprise of computer software and licenses.

10. OTHER ASSETS

	2017	2016
	SR	SR
Visa Collateral	**9,400,836**	7,784,167
ATM Offus transaction account	**1,717,596**	1,989,896
Others	**601,160**	513,836
Less: provision for other receivables	**(8,005)**	(8,005)
	11,711,586	10,279,894
Prepayments	**8,356,674**	3,257,884
	20,068,260	13,537,778

(a) The visa collateral is a security deposit held by Visa as per the contract which is us USD. Other assets include cheques in clearing and deposits.

(b) The ATM Offus account relates to receivable amount from Barclays with respect to ATM and POS transactions. This account is net off against the ATM and POS settlement under Other Liabilities under Note 12.

(c) The carrying amount of 'other assets' approximate their fair value and are denominated in the following currencies:

	2017	2016
	SR	SR
US Dollars	**9,415,621**	7,784,167
Seychelles Rupees	**10,652,639**	5,753,611
	20,068,260	13,537,778

11. CUSTOMER DEPOSITS

	2017	2016
	SR	SR
Current accounts	**281,318,467**	232,475,488
Savings deposits	**555,393,167**	488,738,153
Time deposits	**431,907,148**	302,128,555
Accrued interest	**8,821,978**	6,270,019
	1,277,440,759	1,029,612,215

11. CUSTOMER DEPOSITS (CONT'D)

(a) Analysis of customer deposits currency-wise is given below:

	2017	2016
	SR	SR
- Seychelles rupees	**1,183,581,550**	995,025,031
- US Dollars	**80,479,766**	27,853,222
- Euro	**8,555,826**	3,753,336
- Others	**3,447,541**	2,980,626
	1,276,064,683	1,029,612,215

(b) Maturity profile of customer deposits are detailed under note 3(iii).

(c) The range of interest on customer deposits varied from **0.75% to 7%** (2014: 0.75% to 7%).

12. OTHER LIABILITIES

	2017	2016
	SR	SR
Accruals	450,875	447,950
Provision for bonus	3,079,533	3,908,193
ATM and POS settlement	5,970,608	3,637,832
Other payables	3,469,397	772,159
	12,970,414	8,766,134

(a) Provision for bonus relates to profit-sharing bonus payable to all employees in accordance with the policy.

(b) The ATM and POS account relates to payable amount to Barclays with respect to ATM and POS transactions. This account is net off against the ATM Offus account under Other Assets under Note 10.

13. DIVIDENDS

	2017	2016
	SR	SR
At January 1,	**6,000,000**	4,800,000
Final dividend of SR 10 per share for 2017	6,000,000	6,000,000
Paid during the year	**(6,000,000)**	(4,800,000)
At December 31,	**6,000,000**	6,000,000

14. CURRENT TAX LIABILITY

(i) Statement of financial position

	2017	2016
	SR	SR
At January 1,	**2,945,143**	(426,559)
Charge for the year (see note (ii))	**6,479,584**	6,253,508
Payments during the year	**(8,038,290)**	(3,308,366)
Refunds during the year	-	393,391
Income/expenses disallowed by tax commissioner	-	33,168
At December 31,	**1,386,437**	2,945,143

(ii) Statement of profit or loss

	2017	2016
	SR	SR
Current tax on adjusted profit for the year at applicable tax rates (see note (iii))	**6,479,584**	6,253,508
Deferred taxes (note 15(b))	**(675,081)**	(4,466,078)
Income/expenses disallowed by tax commissioner	-	33,168
	5,804,503	1,820,598

14. CURRENT TAX LIABILITY (CONT'D)

(iii) Tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Bank as follows:

	2017	2016
	SR	SR
Profit before tax	19,138,882	22,477,556
Tax calculated at applicable tax rates (note (iv) below)	6,235,831	7,337,593
Income not subject to tax	(562,338)	(633,957)
Expenses not deductible for tax purposes	2,286,005	137,264
(Surplus) of capital allowance over depreciation	(1,479,913)	(587,393)
	6,479,584	6,253,508

(iv) Applicable tax rates

Taxable income threshold	2017 and '2016
	Tax rates - %
≤ SR 1,000,000	25%
>SR 1,000,000	33%

15. DEFERRED TAXES

(a) There is a legally enforceable right to offset deferred tax assets and deferred tax liabilities when the deferred taxes relate to the same fiscal authority on the same entity. The following net amounts are shown in the statement of financial position:

	2017	2016
	SR	SR
Deferred tax liability	5,695,800	6,268,424
Deferred tax asset	(5,480,538)	(4,735,589)
Net deferred tax liability	215,262	1,532,835

(b) The movement on the deferred tax account is as follows :

	2017	2016
	SR	SR
At January 1,	1,532,835	5,998,913
Credit for the year (see below)	(675,081)	(4,466,078)
- Reversal to other comprehensive income	(642,491)	-
At December 31,	215,263	1,532,835
(Credit)/Charge for the year is analysed as follows:		
- Statement of profit or loss (note 14(ii))	(675,081)	(4,466,078)
- Other comprehensive income	-	-
- Reversal to other comprehensive income	(642,491)	-
	(1,317,572)	(4,466,078)

15. DEFERRED TAXES (CONT'D)

(c) The movement in deferred tax assets and liabilities during the year is as follows:

(i) **Deferred tax liabilities**

	Accelerated tax depreciation	Revaluation of assets	Total
	SR	SR	SR
At January 1, 2016	6,159,471	1,284,981	7,444,452
Credited to statement of profit or loss	(1,176,029)	-	(1,176,029)
Credited to other comprehensive income	-	-	-
Reversal to other comprehensive income	-	-	-
At December 31, 2016	**4,983,442**	**1,284,981**	**6,268,423**
Charged to statement of profit or loss	**69,868**	**-**	**69,868**
Charged to other comprehensive income	**-**	**(642,491)**	**(642,491)**
At December 31, 2017	**5,053,310**	**642,490**	**5,695,800**

(ii) **Deferred tax assets**

	Retirement benefit obligations
	SR
At January 1, 2016	(1,445,539)
Charge to statement of comprehensive income	(400,775)
At December 31, 2016	(1,846,314)
Charge to statement of comprehensive income	**(674,258)**
At December 31, 2017	**(2,228,631)**

	Provision for credit impairment
	SR
At January 1, 2017	(3,320,146)
Credited to statement of profit or loss	68,239
At December 31, 2017	**(3,251,907)**

16. RETIREMENT BENEFIT OBLIGATIONS

	2017	2016
	SR	SR
Compensation - retirement (i)	**5,122,079**	4,539,870
Compensation - end of contract (ii)	**1,873,771**	1,297,446
	6,995,850	5,837,316

(i) COMPENSATION - RETIREMENT

	2017	2016
	SR	SR
At January 1,	**4,539,870**	3,012,461
Paid during the year	**(308,289)**	(452,327)
Charged to statement of profit or loss	**890,499**	1,979,736
At December 31,	**5,122,079**	4,539,870

16 RETIREMENT BENEFIT OBLIGATIONS (Cont'd)

(i) COMPENSATION - END OF CONTRACT

	2017	2016
	SR	SR
At January 1,	1,297,446	1,367,960
Paid during the year	(818,807)	(1,277,746)
Charged to statement of profit or loss (note 23)	1,395,132	1,207,232
At December 31,	**1,873,771**	1,297,446

17. SHARE CAPITAL

	2017 & 2016
	SR
Authorised share capital	
At December 31,	**60,000,000**
Issued and fully paid up share capital (600,000 shares at SRC100 each)	
At December 31,	**60,000,000**

18. STATUTORY RESERVE

	2017	2016
	SR	SR
At January 1,	22,254,229	18,122,837
Transfer during the year (page 5)	2,666,876	4,131,392
At December 31,	**24,921,105**	22,254,229

Section 24(1) of the Financial Institutions Act, 2004, as amended requires that a Statutory Reserve Fund be maintained from an appropriation of not less than 20% of net profits for the year before any transfers until such reserve is equal to the Share Capital of SR 60 million.

19. INTEREST INCOME

	2017	2016
	SR	SR
Investment in held-to-maturity financial assets	15,610,425	15,863,921
Loans and advances	66,867,734	64,624,020
Cash and short term funds	4,731,998	4,392,647
	87,210,157	84,880,588

20. INTEREST EXPENSE

	2017	2016
	SR	SR
Customer deposits	32,216,707	27,106,827
Deposits and borrowing from other banks	-	-
	32,216,707	27,106,827

21. FEE INCOME AND COMMISSIONS

	2017	2016
	SR	SR
Account maintenance	3,662,423	3,626,888
Processing charges	2,286,653	1,724,483
Commissions from Visa	2,214,438	1,840,966
Standing instructions	1,901,092	1,758,750
Commission from agency work and sale of foreign currency	1,406,977	1,317,388
Transaction charges	964,292	850,872
Loan documentation	756,690	2,323,801
Referred cheque charges	536,090	374,740
Unauthorized overdraft charges	397,300	204,250
SMS alert charges	275,074	88,173
Mortgage agreement charges	254,021	151,722
Cheque books	245,267	243,194
Other related income	279,294	140,276
	15,179,611	14,645,503

22. SUNDRY INCOME

	2017	2016
	SR	SR
Recovery of bad debts written off	797,975	1,582,378
Profit on disposal	1,400	240,569
Miscellaneous income	210	244,311
	799,585	2,067,258

23. PERSONNEL EXPENSE

	2017	2016
	SR	SR
Wages and salaries	21,724,168	21,507,843
Directors' fees and remuneration (see note (a) below)	3,314,285	2,793,154
Retirement benefit obligations	2,445,631	3,313,634
Pension costs	385,335	359,792
Other staff costs	827,937	1,056,817
	28,697,356	29,031,241

(a) Directors' fees and remuneration are detailed below:

	2017	2016
	SR	SR
Directors' fees		
Esther Boniface	34,736	34,736
Robert Morgan	34,736	34,736
Patrick Payet	53,760	53,760
Sandy Mothee	34,736	34,736
	157,968	157,968
Directors' fees and remuneration		
Syed Naqi (Director until Jan 31, 2017; Financial Advisor until Aug 14, 2017)	1,358,710	1,947,749
Annie Vidot (appointed on 1 Feb 2017)	960,000	-
Jenna Thelermont	837,607	687,437
	3,156,317	2,635,186
Total	3,314,285	2,793,154

24. OTHER EXPENSES

	2017	2016
	SR	SR
Premises cost	**4,954,676**	4,455,855
Computer maintenance expenses	**4,954,078**	3,802,076
Card expenses	**4,800,341**	3,916,465
Security services	**1,519,895**	1,394,796
Legal and professional charges	**1,465,759**	1,288,688
Stationery and postage expenses	**1,457,910**	1,287,292
Telecommunication	**1,422,194**	1,534,892
Licenses, insurance and subscription	**944,347**	837,305
Others	**792,292**	521,213
CSR tax	**538,865**	516,951
Tourism marketing tax	**538,865**	516,951
Fuel, conveyance and vehicles maintenance	**453,062**	459,210
Advertising and promotion expenses	**250,754**	578,628
AGM expenses	**127,878**	142,844
Auditors' remuneration	**172,500**	100,050
	24,393,414	21,353,219

25. NET ALLOWANCE FOR CREDIT IMPAIRMENT

	2017	2016
	SR	SR
Loans and advances (note 6(b))	**10,096,688**	10,061,049

(a) Movement in provision for credit impairment is given below:

	2017	2016
	SR	SR
At January 1,	**10,061,049**	9,214,007
Loans and advances written off during the year (note 6(b))	**(167,969)**	5,340
Charged/(Credited) to statement of profit or loss (note 6(b))	**203,608**	841,702
At December 31,	**10,096,688**	10,061,049

26. COMMITMENTS

(a) Capital commitments

	2017	2016
Approved and contracted for:	**SR**	SR
Property and equipment	**4,438,600**	-
Intangible assets	**3,538,000**	-
	7,976,600	-

(b) Loan commitments

	2017	2016
	SR	SR
Loans and advances approved but not yet disbursed or partially disbursed	**83,949,976**	51,526,000

26. COMMITMENTS (CONT'D)

(c) Operating lease commitments

The Bank leases various outlets under operating lease agreements which have varying terms, escalation clauses and renewal rights.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	SR	SR
Within one year	**532,600**	558,288
Later than one year and not later than five years	**351,000**	1,479
Later than five years	**-**	-
	883,600	559,767

27. RELATED PARTY TRANSACTIONS

	Loans and advances	**Interest Income**
	SR'000	**SR'000**
December 31, 2017		
Key Management	**351**	**1**
Directors	**1,793**	**2**
December 31, 2016		
Key Management	-	-
Directors	2,091	3

	Relationship	**Deposits**	**Interest Expense**
		SR'000	**SR'000**
December 31, 2017			
Parastatals	Shareholder	**316,668**	**3,531**
Government organisations and agencies other than parastatals	Shareholder	**66,250**	**27**
December 31, 2016			
Parastatals	Shareholder	269,812	2,233
Government organisations and agencies other than parastatals	Shareholder	60,476	26

(a) Transactions with related parties are made at normal market prices.

(b) Outstanding balances at the year-end are interest-bearing. There has been no guarantees provided or received for any related party payables or receivables. For the year ended December 31, 2017, the Bank has not recorded any impairment of receivables relating to amounts owed by related parties (2016: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the latter operates.

(c) Key management personnel

	Relationship	**2017**	2016
		SR	SR
Salary and short term employment benefits	Key management	**3,156,317**	**2,635,186**
Directors remuneration	Directors	**157,968**	**157,968**
End of contract service	Key management	**468,000**	**153,000**

28. CONTINGENT LIABILITIES

At December 31, 2017, the Bank had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities would arise. The Bank has given guarantees in the ordinary course of business, amounting to SR 15,730,000 (2016: SR 2,100,000) to third parties.

29. EVENTS AFTER REPORTING PERIOD

As from 1 March 2018, the Bank's correspondent bank for United States Dollars (USD) no longer provides a facility for payments and receipts in this particular currency. A material amount of the Bank's profit in 2017 includes foreign exchange gains, amounting to SR 5,733,481 (29%), of which USD contributes to the majority. Management and the Board of Directors are currently assessing the exposure of USD gains on future profit and formulating plans to mitigate the impact due to the loss of its correspondent banking relationship. The Bank continues to work on establishing a new correspondent banking relationship for both outward and inward USD; however, no certain arrangement or timeline has been made. The bank continues its alternative facility to accept only inward USD payments through an account with another local bank.

During the year 2018, the Bank will open a new branch at Providence, Mahe Seychelles, which will be operational as from May 2018.

30. PRIOR YEAR RECLASSIFICATION

There was a prior year reclassification of SCR 7,499,707 from interest expense to interest income, due to the fact that interest income was incorrectly overstated and interest income was understated. This reclassification adjustment was performed to conform with the correct classification.

31. FINANCIAL SUMMARY

	2017	2016	2015	2014	2013
	SR'000	SR'000	SR'000	SR'000	SR'000
Profit before taxation	**19,139**	22,478	17,933	12,348	10,792
Tax expense	**(5,805)**	(1,821)	(5,891)	(3,544)	(6,458)
Profit for the year	**13,334**	20,657	12,042	8,804	4,334
Transfer to statutory reserve	(2,667)	(4,131)	(2,409)	(1,761)	(867)
Dividends	(6,000)	(6,000)	(12,000)	-	-
Retained earning brought forward	**31,161**	20,635	23,002	19,426	12,492
Retained earnings carried forward	**35,828**	31,161	20,635	26,469	15,959
EQUITY					
Share capital	**60,000**	60,000	60,000	60,000	60,000
Statutory reserve	**24,921**	22,254	18,123	15,714	13,953
Revaluation reserve	**26,831**	26,189	26,189	21,633	19,253
Retained earnings	**35,829**	31,162	20,636	23,002	15,959
	147,581	139,604	124,948	120,349	109,165